

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 5/19/2011

GAIN Report Number: RS1125

Russian Federation

Post: Moscow

Minimum Procurement Prices for 2011 Grain

Report Categories:

Grain and Feed

Approved By:

Mary Ellen Smith

Prepared By:

Yelena Vassilieva

Report Highlights:

The Agricultural Minister announced minimum prices for grain purchases into the State Intervention Fund. The minimum prices are lower than current domestic grain prices and the timing and funding for these purchases is still undetermined.

General Information:

On March 31, 2011, Agricultural Minister Yelena Skrynnik announced the minimum procurement prices for the 2011 grain crop. The Minister's Order # 79 of March 31, 2011 went into effect after being registered in the Ministry of Justice on May 4, 2011 and published in Rossiyskaya Gazeta on May 13, 2011. This information is posted on the Ministry of Agriculture website: <http://www.mcx.ru/news/news/show/4563.178.htm>.

The government will begin buying grain from farmers for the State Intervention Fund when market prices fall below the minimum target prices set by the Ministry of Agriculture (so called “procurement interventions”), and may begin selling grain from the Intervention Fund when the market is short grain and prices exceed the maximum levels determined by the Ministry of Agriculture (so called “selling” or “commodity interventions”). Since interventions in the grain market began in 2001, the government has purchased almost 15 million metric tons of grain and has sold less than 4 MMT. Most grain was purchased in MY 2008 (Table 1). The mechanism of interventions is not applied consistently. In marketing years 2008/09, the government changed the minimum procurement prices several times, and in MY 2010/11, it altered the rules for intervention purchases and adjusted the budget financing in accordance with the current government's vision of the grain supply and demand situation^[i].

Table 1. Grain Interventions in 2001-2011

	Grain Volumes, 1,000 MT	Grain Value, mln. rubles
Grain Procurement Interventions		
2001	206	567
Nov. 2002 - Jan. 2003	1,558	2,704
Aug. 2005 - Jan. 2006	1,657	5,024
Aug. 2008 - May 2009	9,627	46,082
Nov. 2009 - Apr. 2010	1,841	7,184
TOTAL	14,890	61,561
Grain Sales Interventions		
Feb. 2004 - Jul. 2004	1,536	5,894
Oct. 2007 - June 2008	1,311	6,855
Feb. 2010 - Mar. 2010 (corn)	155	772
Feb. 2011 =>	828	5,488
TOTAL	3,830	19,009

Source: www.micex.ru

The minimum procurement prices announced by the Agricultural Minister for the 2011 grain crop vary by crops and by regions. The announced minimum prices of milling wheat (Classes 3 and 4) are lower than they were in MY 2008, and are below the cost of production that was agreed upon on a voluntary basis between the farmers and the flour millers in February 2011^[ii]. The prices of fodder wheat (Class 5), fodder barley and corn are set at higher levels than in MY 2008 (Table 2).

Table_2. Grain Intervention Minimum Procurement Prices, Rubles and USD per MT, 2008 – 2011

Federal	Mar. 2008	Aug. 2008	Oct. 2008	Nov. 2008	Jan. 2009**	Mar. 2009	Mar. 2011
---------	-----------	-----------	-----------	-----------	-------------	-----------	-----------

Districts	Rb.	USD	Rb.	USD	Rb.	USD	Rb.	USD	Rb.	USD	Rb.	USD	Rb.	USD
Soft milling wheat, Class 3														
Central, North- Western, Volga Valley, Southern ***	5,100	215	5,100	215	5,500	201	5,500	199	5,500	170	5,500	162	5,000	179
Ural, Siberian, Far- Eastern	5,000	211	5,000	211	5,500	201	6,000	217	6,000	185	6,000	176	4,700	168
Soft milling wheat, Class 4														
Central, North- Western, Volga Valley, Southern ***	4,900	207	4,900	207	4,900	179	4,900	177	4,900	151	4,900	144	4,650	166
Ural, Siberian, Far- Eastern	4,800	203	4,800	203	4,800	176			4,800	148	4,800	141	4,450	159
Soft wheat, Class 5														
Central, North- Western, Volga Valley, Southern ***			4,100	173	4,100	150	4,100	148	4,000	123			4,300	154
Ural, Siberian, Far- Eastern			4,000	169	4,000	147	4,000	145	4,000	123			4,100	146
Food rye, Group "A"														
All Federal Districts	3,900	165	3,900	165	3,900	143	3,900	141	3,900	120	3,900	115	3,900	139
Feed barley														
All Federal Districts			3,800	160	3,800	139	3,800	137	3,800	117			4,000	143
Corn, Class 3														
All Federal Districts							4,000	145	4,000	123			4,400	157
Exchange rate rubles/\$US		23.7		24.6		27.3		27.7		32.4		34.0		28.0
<p>* Intervention prices are in rubles. USD equivalent is calculated by Post.</p> <p>** In January 2009 the MinAg increased the ceiling procurement price of milling wheat Class 3 and Class 4 to 6,850 and 6,250 for several provinces of the North-West, Central, and Volga Valley Federal District in effort to compensate the cost associated with storage shortage in these provinces and the necessity to ship grain from these provinces to the distant elevators in Siberia for storing. For more information see GAIN RS9002</p> <p>Government Strengthens Grain Market Control</p> <p>*** In 2010 the Southern Federal District was split into the Southern and North Caucasian Federal Districts</p>														

Source: www.micex.ru

The market prices for grain continue decreasing in Russia since their peak in February 2011, but they are still higher than the minimum procurement prices set by the MinAg for 2011 grain. As of May 13, 2011, the market price of milling wheat Class 3 varied from 5,300 rubles (\$189) per MT in the North

Caucasian Federal District to 6,550 rubles (\$234) per MT in the Southern Ural Federal District. The price of milling wheat Class 4, Russia's main type of milling wheat, varied from 4,925 rubles (\$176) per MT in the North Caucasian Federal District to 6,275 rubles (\$224) per MT in the Southern Ural Federal District. The price of fodder quality wheat varied from 5,067 rubles (\$181) per MT in the West Siberia to 6,063 rubles (\$217) per MT in the Southern Ural Federal district. The price of fodder barley varied from 6,183 rubles (\$221) per MT in the West Siberia Federal District to 7,086 rubles (\$253) in the Volga Valley Federal District, while the minimum price for 2011 barley was set at 4,000 rubles (\$143) per MT ^[iii].

The announced procurement prices gave farmers some guidelines on the price situation in MY 2011 and indicated that in 2011 the government will prefer feed grains. The federal budget for 2011 envisages spending up to 6 billion rubles for activities connected with commodity interventions, but the budget does not determine whether this will cover financing of procurement interventions, or financing of possible selling interventions, or payments of storage expenses, or collateral operations. The Minister's Order of March 31, 2011 did not indicate the budget for the 2011 purchases, but said that the decision on interventions will be made after the beginning of harvest 2011. By this time, the minimum prices may be changed, as they did in MY 2008.

Since both the crop and the price prospects in MY 2011 remain unclear, and the Ministry can change minimum prices depending on the results of harvest, and the budget for such support are not determined, the declaration of minimum procurement prices represents only an estimation of price support policy in MY 2011. It demonstrates that so far the government does not have a consistent, long term grain policy, and may continue to adjust it in 2011 depending on short-term priorities.

^[i] For more information see GAIN report RS1122 Government Measures Lowered Grain Prices and Spring Planting Decisions _ Moscow _ Russian Federation _ 5/10/2011

^[ii] For more information see GAIN report RS1110 Farmers and Flour Millers Agreed on Indicative Minimum Wheat Prices _ Moscow _ Russian Federation _ 2/22/2011

^[iii] Source: ProZerno. Prices in U.S. Dollars are calculated based on the 28 Rubles per \$1 exchange rate.